

rest of the world as we try to encourage the Third World nations of this planet to back away from the nuclear weapons option. But worse, the United States Government has now begun the process themselves of following this French fashion of the season and going back to a nuclear testing regime. Nothing could be worse for the United States and for this world than if we ourselves set that poor example of testing nuclear weapons and, in fact, encouraging dozens of Third World countries across this planet to emulate us.

There is a very idealistic and practical set of objectives which this country should be seeking to achieve as nuclear nonproliferation and biological weapons proliferation becomes the single greatest danger to peace and security on this planet.

SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of May 12, 1995, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York [Mr. OWENS] is recognized for 5 minutes.

[Mr. OWENS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

TRADE WITH JAPAN

The SPEAKER pro tempore. Under the Speaker's announced policy of May 12, 1995, the gentleman from California [Mr. DREIER] is recognized for 60 minutes as the designee of the majority leader.

Mr. DREIER. Mr. Speaker, I have taken this time out today to relate to our colleagues some remarks that I made late last week; actually it was Thursday morning, the speech that I gave downtown. It has to do with an issue which quite frankly is rather sensitive and delicate and controversial. It is the proposed imposition of 100 percent tariff on the importation of automobiles from Japan to the United States.

Mr. Speaker, I was careful in making these remarks last Thursday morning. I made them before the President left for his meeting in Halifax with Prime Minister Murayama, and I also have been very careful to make these remarks today only after the President returns. So I have not said these things while the President was out of the country, recognizing Senator Van Den Berg's great recognition that partisan ship ends at the water's edge.

I have been very proud to have been one of the President's strongest supporters when it has come to trade policy. I am a Republican, and I have been criticized by some of my Republican colleagues here and throughout the country for having strongly supported

passage of the North American Free-Trade Agreement, completion of the Uruguay round of the General Agreement on Tariffs and Trade, and having pursued a very strong prohuman rights policy in China.

I have been proud to have worked not only with President Clinton but with my fellow Californian, the U.S. Trade Representative, Mr. Kantor, and with a bipartisan group of Members of both the House and the Senate; here in the House I have been privileged to work with Chairman ARCHER of the Committee on Ways and Means, Chairman CRANE, who chairs the Trade Subcommittee; my friend Mr. KOLBE on this side. On the other side my colleague, the gentleman from New Mexico, Mr. RICHARDSON, who was here a few minutes ago; my fellow Californian, Mr. MATSUI; the gentleman from Florida, Mr. GIBBONS, of course, the former chairman of the Trade Subcommittee of the Committee on Ways and Means. And we have pursued very, very strongly a bipartisan approach to trade. I am proud to have worked closely in rallying support for NAFTA.

The gentleman from Arizona [Mr. KOLBE] and I and a couple of others introduced legislation calling for the limitation of the tariff barriers for the North American Free-Trade Agreement 8 years ago. I spent the last 7 days with Mr. GIBBONS and Mr. MATSUI and members of the Committee on Ways and Means before completion of the Uruguay round of the General Agreement on Tariffs and Trade, an agreement which creates an opportunity among 124 nations in the world to create the free flow of goods and services.

Of course, on China policy, I strongly supported Mr. HAMILTON's language in the past because exposure to Western values is what will enhance the human rights situation that exists in China. I believe very strongly in that.

My past support for the President's trade policies has been based clearly on our goal of increasing jobs and living standards both in the United States and throughout the world, improving the quality of life by reducing trade barriers and increasing commerce, the free flow of goods and services.

Mr. Speaker, while I part company with the President on the policy that he has stated calling on June 28 for the imposition of this 100-percent tariff, the President has actually parted company with the free trade principles which we have pursued vigorously for his entire Presidency up to this point. I share the President's broad goal of breaking down tariff barriers in Japan so that we can gain greater access to that market. However, the specified U.S. demands on auto parts purchases and dealership access are clearly repugnant to those of us who stand for free trade.

The administration has made tactical blunders regarding the timing and direction of this effort. The short-term economic impact of implementing trade sanctions, especially from my

State of California, and I will get into that for a moment in just a moment, will be very negative. And I have to say, Mr. Speaker, it saddens me to conclude that the President is threatening to significantly set back the prospects for additional multilateral trade initiatives and a forward-looking Asia policy that ties the United States into that extraordinarily growing market in the Pacific rim.

Let me take a couple moments and talk about my State of California. California, whether you like it or not, it is the seventh largest economic power on the face of the earth; 32 million people in California. California is the Nation's largest exporter. Its \$81¼ billion in exports is 20 percent of our Nation's total. Exports support 1.5 million jobs in the State of California. Foreign investment supports another half million jobs. While California has suffered greatly due to the defense and aerospace cutbacks, which have taken place for the past several years, the one bright spot has been California's access to other markets so that we could, in fact, be the gateway to the Pacific rim and Latin America.

California's No. 1 trading partner is Japan, with exports of \$22.5 billion last year. Japanese-owned companies employ 150,000 Californians in electronics, entertainment, and computers, among other industries. If you add in the suppliers, there are a quarter of a million California jobs which are tied directly to Japanese investment.

Sixty-two percent—62 percent, Mr. Speaker—of California's exports go directly to the Pacific rim; 692,000 jobs in California are supported by Pacific rim trade, and it is very important to note that every single country, every single country in the Pacific rim has stated its very strong opposition to President Clinton's plan to impose this 100 percent tariff.

The State of California has a great deal to lose and very little to gain from the policies which President Clinton has proposed. The auto industry in California is more closely tied to Tokyo than it is to Detroit. The Japanese companies targeted by the President's sanctions have invested over \$2 billion in California, directly creating over 13,000 private sector jobs; each company targeted, each company that has been targeted by the President's proposed imposition of this 100 percent tariff is headquartered in California. Another 28,640 are employed by dealers that sell cars imported from Japan.

Mr. Speaker, I believe that it is criminal to discriminate against California workers simply because the companies they work for are based in Tokyo rather than Detroit. The administration's sanctions threaten 12,000 middle income workers in dealerships and many more in California's ports and within advertising firms.

Mr. Speaker, these Americans have done nothing, they have done absolutely nothing to deserve unemployment. Of course, the greatest fear of all

is recognition that the President is playing with fire with his proposed plan. An escalating trade war with Japan, which virtually everyone has said is a possibility, with the discussion of this possibility, an escalating trade war with Japan would devastate California and clearly threaten the economic future of the largest State in the Union.

Mr. Speaker, balancing trade by sector is playing bad policy. The trade imbalance between the United States and Japan is primarily a reflection of Japanese weakness, not strength. We should support openness in the Japanese economy, and we all share that same goal, but we should not support balanced trade. The administration has gone beyond the mistaken policy of trying to balance trade between our two countries, and they are now making the case that we should have balanced trade in one sector, the auto sector. That is the only place we should have balanced trade.

This route is a bad one. Heading down this path is clearly a very poor policy. And the best way to look at that is the President proposes to move only in the auto sector is, let us see what would happen if the Japanese made the decision to do the same thing to us. What would we as a country say if Japan extended this policy to some of the large exporters in our Nation's greatest State of California.

Well, the motion picture industry, Mr. Speaker, the motion picture industry enjoys a \$1 billion, a \$1 billion bilateral trade surplus with Japan. What would we say if the Japanese made the same mistake, same statement of us that we are of them on auto policy? Obviously, we would not stand for it. The agriculture industry in this country has a \$9.2 billion bilateral trade surplus with Japan, and the aerospace industry has a \$3.1 billion trade surplus with Japan.

Service industries are on the cutting edge of California's export industries. Requiring a bilateral trade balance in each service sector would stifle our service exports to Japan, and it would be wrong. And that is exactly what we are trying to do in the area of autos with this policy.

The thing that really saddens me greatly, Mr. Speaker, is that we have observed a transition, a transition that has taken place within this administration's policy from what I know you, Mr. Speaker, and I agree has been very good trade policy. It is has garnered bipartisan support. The transition has been good trade policy to good trade politics. The Clinton administration earned the strong support of those of us who are free traders in both parties over the past couple of years because of the fact that we were able to work together in a bipartisan way on the North American Free Trade Agreement, on completion of the Uruguay round on the General Agreement on Tariffs and Trade and for a sound China policy.

I regularly congratulated the President, in fact one of the most passionate speeches I ever heard him deliver was just before passage of the North American Free Trade Agreement when former Presidents and other officials stood in the East Room of the White House. The President's speech was superb and very, very heart felt.

The administration in pursuing those policies took on the traditional projectionist factions within their own political party. However, the thing that concerned me greatly was that they pursued these things when it came to dealing with the issue of trade; but with the election on the horizon, they seem to be shifting back to what admittedly is a popular policy. It appears that they are now moving in a direction that many feared when neo-projectionists within the administration, like Robert Reich and Laura Tyson and others were named to senior positions from the beginning.

Rather than pursuing further broad, free trade initiatives, they appear to have adopted a political trade strategy intended to appeal to that labor base within the Democratic Party and to make the President look tough on dealing with Japan.

The first inclination of most Americans is to be critical of Japan. I admit that as I stand here right now, I am taking what is perceived as being the politically unpopular position. But I clearly believe that the goal of penalizing American consumers and workers with the planned imposition of this 100 percent tariff is wrong. We learn throughout history that tariffs have, in fact, diminished the standard of living, going all the way back to when the political party supported the Smoot-Hawley Tariff Act at the beginning of the Depression in hopes that it would somehow shorten the Depression. Virtually every economist has agreed that the Smoot-Hawley Tariff Act exacerbated the Great Depression, in the same way this politically popular policy that the President is pursuing creates the potential for a very serious trade war.

The result, Mr. Speaker, is bad foreign policy that threatens our long-term interests in Asia and bad economic policy that threatens the trade policy gains over the past 2 years.

Those gains that we have made over the past 2 years have been modeled after the fact that the United States of America has recognized that we live in a global economy, and breaking down these barriers is obviously the wave of the future. This policy as announced by the President is clearly a retrograde step on the whole issue of free trade.

It is often said that only Richard Nixon could open up ties with China. It takes strong leadership to undertake bold and dramatic initiatives. Up to this point, that is exactly what President Clinton has done in the area of trade. Statements by people in the administration like Laura Tyson who indicate that they believe the Japanese

political weakness makes success more likely, the opposite is the case. The argument that she has made is that political division within Japan will somehow lead them to break down on this issue is wrong; again, the opposite is the case.

The economic reality in Japan reveals the fraud of those who claim the Japanese economic and trade policies have enriched Japan at our expense.

There are many people out there who regularly argue that Japan has been greatly enriched at our expense, but let us look at what has happened in Japan over the past several years. Japan has had 4 years of flat economic growth, unlike the kind of growth that we are now experiencing here in the United States. Japan has undergone 4 years of flat economic growth. This year alone the stock market in Japan has dropped by nearly a third to its lowest point since 1983. The appreciation in the yen has made it very unprofitable for Japan's businesses to export. Japanese banks hold \$476 billion in bad loans.

Mr. Speaker, \$476 billion, let us compare that to the cost of the savings and loan debacle here in the United States, the cost of which was \$150 billion. So obviously Japanese financial institutions are faced with very serious problems.

And it is important for us to note the present amounts of money that have been made by United States businesses when so much of the real estate market during the 1980's was sold to Japan. Remember, Mr. Speaker, how people were outraged at the fact that Japan would own so much of what is here in the United States. They purchased Rockefeller Center, a wide range of other real estate investments during the 1980's, and I think everyone has recognized that real estate values have dropped dramatically over the past several years, a tremendous loss to those Japanese investors.

So this argument that Japan is greatly taking advantage of the United States is unfounded. Economic weakness in Japan, however, Mr. Speaker, hurts this country by placing a overall drag on the international economy. Remember, we are living with a global economy today. Of all industries to pick a fight with, it is incredibly ironic that U.S. automakers would be the target. Why? Because they are very healthy. We all know that United States automobile manufacturers in large part, despite competition from the Japanese auto manufacturers, have had tremendous profits, record profits just this past year.

But, Mr. Speaker, not everyone knows that two of the three largest auto manufacturers in Japan have lost money in the last year.

Ambassador Walter Mondale, former Vice President, our Ambassador to Japan, is now reported to believe that the new generation of Japanese Government bureaucrats desires to see Japan lean more toward Asia than toward the United States. And they are

bolstered by this conflict, those within Japan who would choose to lean toward the other very successful nations within the Pacific rim. Those people are bolstered by this proposed imposition of a 100-percent tariff.

Mr. Speaker, this would be extraordinarily detrimental to U.S. interests in Asia.

One of the things that I think is a rather remarkable twist in the whole managed trade plan, the Clinton administration does not want the Japanese Government to manage auto makers. And yet this administration wants our Government, our Government to manage the Japanese automakers.

The primary sticking points that are driving us toward the job killing sanctions involve auto parts and auto dealerships. In auto parts, the administration wants the Japanese automakers to purchase certain amounts of United States parts.

□ 1230

On auto dealerships, the administration wants the Japanese auto companies to require 1,200 of their dealers in Japan to sell United States cars.

Mr. Speaker, these demands do not involve Japanese Government action. They require action from Japanese businesses. It should not be surprising that the administration's proposed sanctions target the companies they want to coerce into an agreement. In fact, the administration is targeting Toyota and not Tokyo.

This proposed plan is, all the way around, a lose-lose-lose trade policy. If the administration wins in this showdown, it bolsters the popularity of trade policies that threaten our Nation's long-term trade and foreign policy interests. Imposing sanctions that clearly violate the World Trade Organization rules puts us in a position to lose the first major case before the World Trade Organization.

What does this do? Well, it plays into the hands of the Ross Perots and Pat Buchanans and Ralph Naders of the world, clearly undermining the potential for future multilateral trade agreements.

Mr. Speaker, our allies and trading partners around the world are unified in opposition to the unilateral sanctions policy because every government invested significant political capital in implementing a stronger multilateral trade regime which is designed to break down tariff barriers, improve the quality of life for working and consuming Americans and for peoples throughout the world in developing nations. Now the United States of America is proposing to ignore that newly established policy.

Don't overlook the possibility, Mr. Speaker, and it saddens me again to say this, but don't overlook the possibility that the administration's policy could, as I was saying a few minutes ago, spin out of control and set off a very destabilizing economic and political confrontation between the United

States and Japan and potential other nations.

In the words of my colleague, DAVID OBEY, and I quote:

I think most of us learned some time ago that if you don't like the President's position on a particular issue, you simply need to wait a few weeks.

Well, I have been holding out hope that that Obey quote was right on target. But as June 28 rapidly approaches, it appears that we are not taking the kind of positive shift that in this case I believe would help us greatly.

There is always hope, though, that the administration will come to its senses, focus on negotiating objectives that the Japanese Government can accomplish, and move away from these sector-by-sector specific negotiations to broad deregulation and antitrust enforcement in Japan, which we strongly support. We strongly support those kinds of things, so that we will have an opportunity to gain further access to that market.

That is why several years ago I followed the trade subcommittee chairman, the gentleman from Illinois [Mr. CRANE] by introducing legislation calling for a United States-Japan free trade agreement. We know that they have access to our market. We want to gain access to theirs, but increasing these tariffs is clearly wrong.

We cannot lose sight of the fact that the United States economy is healthier and better prepared to move into the 21st century than the Japanese economy is. We should not move away from the openness that has made us as a nation strong, even in an effort to move Japan toward a policy that will make it strong.

The President has just completed his meeting with Prime Minister Murayama, and we know that coming up our Trade Representative, Mr. Kantor, will be meeting with Mr. Hosokawa and we hope very much that this will be resolved.

But the threat of imposition of these sanctions is a wrong policy. It is a wrong way to do business. I know it is politically popular here in the United States, but we have to look at the fact that we are playing with fire, Mr. Speaker, and this policy creates the potential for very serious problems not only here in the United States and Japan but throughout the world.

My request, Mr. Speaker, is that this administration go back to the great free trade policies which have played a role in enhancing the economy of the United States, those policies being the breaking down of barriers within Latin America with implementation of the North American Free Trade Agreement, establishment of the WTO, and completion of the Uruguay round of the General Agreement on Tariffs and Trade, which among 124 countries is continuing to pursue the goals that were established in 1947 when the GATT went into place. That goal is very simply breaking down barriers.

My party and I believe this Nation strongly stands for freedom, the free

flow of goods, services, ideas. That is what this agreement among 124 nations is doing. And in China, exposure to Western values, getting our ideas into China, that is what will help the very serious human rights situation that exists there, and this President has wisely acknowledged that.

Mr. Speaker, let us not as a nation move backward to the days of Smoot-Hawley when we look at the issue of a global economy. We are 5 years away from the millennium. Clearly the United States of America is the world's only complete superpower. We face very serious problems throughout the world.

We have stood in a bipartisan way for free trade. This proposed policy is 180 degrees from that. I hope very much, Mr. Speaker, that this administration will change the policy and continue to work on other methods to break down barriers and create an opportunity for us to gain access to the consumer market in Japan.

RECESS

The SPEAKER pro tempore (Mr. SHAYS). Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 1 o'clock and 37 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 1756

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 1854, LEGISLATIVE BRANCH APPROPRIATIONS ACT, 1996

Mr. DIAZ-BALART, from the Committee on Rules, submitted a privileged report (Rept. No. 104-146) on the resolution (H. Res. 169) providing for consideration of the bill (H.R. 1854) making appropriations for the legislative branch for the fiscal year ending September 30, 1996, and for other purposes, which was referred to the House Calendar and ordered to be printed.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Member to revise and extend his remarks and include extraneous material:)

Mr. OWENS, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Member (at the request of Mr. DREIER) and to include extraneous matter:)

Mr. BAKER of California.

(The following Members (at the request of Mr. DIAZ-BALART) and to include extraneous matter:)